



State Board of Equalization

News Release

Vice Chairperson Jerome E. Horton

4th District – Los Angeles

Kristine Cazadd
Interim Executive Director
www.boe.ca.gov

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**Contact: NR 134-10-H
Anita Gore
916-327-8988**

New Board of Equalization Use Tax Estimate Announced

More than \$1.1 Billion Goes Unpaid Annually

Jerome E. Horton, Vice Chairperson of the California State Board of Equalization (BOE), today announced a new BOE estimate of \$1.145 billion dollars in use tax owed by Californians that goes unpaid each year.

Use tax is owed when a consumer makes a purchase from an out-of-state retailer who is not required to collect California tax. That means online, catalog, and other out-of-state purchases are not tax-free, as some consumers believe. When the out-of-state retailer does not collect the tax, the consumer is responsible to make the use tax payment directly to the state. The use tax owed is the same as the sales tax that would be due if the purchase were made from an in-state retailer. With online and catalog sales up for the holiday season, Horton reminds consumers to save receipts, calculate the use tax due, and make the payment to the state.

Sales tax applies to most in-state retail purchases of tangible personal property. Online or catalog retailers are not required to collect tax unless they have a physical presence in California. The consumer is required to pay use tax when the out-of-state retailer does not collect tax. The sales and use tax rate varies in California from 8.25% to 10.75%, depending on location.

The most convenient way to pay the use tax to the BOE is on the Franchise Tax Board income tax return by noting the amount owed on the line marked "Use Tax" and make the payment along with any income taxes that are due. Consumers may also file directly with the BOE as a use tax consumer by filling out form BOE 79-B: <http://www.boe.ca.gov/pdf/pub79b.pdf>.

The updated 2009-10 BOE use tax estimate, released in a report titled *Electronic Commerce and Mail Order Sales*, shows the unpaid sales and use tax liability owed by the average California household is \$61 per year and \$102 per year for each California business.

California use tax has been the law since 1935. It was established to eliminate the price advantage out of state retailers would have over California businesses that collect and send sales tax to the BOE.

The \$1.145 billion dollars in unpaid sales and use tax associated with electronic commerce and mail order sales that are not voluntarily paid is a significant component of the sales and use tax gap, the difference between taxes owed and taxes paid.

Elected in 2010, Vice Chairperson Jerome E. Horton is the 4th District Member of the BOE, representing more than 8.5 million residents in Los Angeles County. He is also the BOE Legislative Committee chairperson. Horton is the first African American to serve on the BOE since its inception in 1879, and the third African American constitutional officer in California's history. Horton previously served as an Assemblymember from 2000-2006.

The five-member California State Board of Equalization is a publicly elected tax board. The BOE collects more than \$48 billion annually in taxes and fees supporting state and local government services. It hears business tax appeals, acts as the appellate body for franchise and personal income tax appeals, and serves a significant role in the assessment and administration of property taxes. For more information on other taxes and fees in California, visit www.taxes.ca.gov.

Electronic Commerce and Mail Order Sales: <http://www.boe.ca.gov/legdiv/pdf/e-commerce-11-10.pdf>

Technical Documentation: <http://www.boe.ca.gov/legdiv/pdf/e-commerce-11-10-technical.pdf>

Use Tax Payment Form and Instructions: <http://www.boe.ca.gov/pdf/pub79b.pdf>

Use Tax Frequently Asked Questions: <http://www.boe.ca.gov/sutax/faqusetax.htm>

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